

December 6, 2013

The Honorable Harry Reid
Majority Leader
United States Senate
S-221 The Capitol
Washington, D.C. 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
H-232 The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Republican Leader
United States Senate
S-230 The Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
H-204 The Capitol
Washington, D.C. 20515

Dear Majority Leader Reid, Speaker Boehner, Republican Leader McConnell, and Democratic Leader Pelosi:

I am writing on behalf of the members of the American Bankers Association (ABA) to express concerns over the use of any increase in or diversion of the credit risk guarantee fees (G-fees) levied by Fannie Mae and Freddie Mac as an offset for other spending or as a savings measure in pending budget negotiations.

The ABA is on record supporting an increase in G-fees in an effort to better reflect the true value of the guarantee being provided, and to encourage the return of the private sector to the secondary mortgage finance market. We are extremely concerned, however, with diversion of any portion of the G-fee away from its intended role in minimizing the loss exposure of Fannie Mae, Freddie Mac, the investors in their securities, and ultimately the U.S. taxpayers.

Legislation enacted at the end of 2011 extending the payroll tax holiday for two months used a 10-basis-point increase in the G-fees – for a period of 10 years – as an offset for the cost of extending the tax holiday, unemployment benefits, and Medicare reimbursements. Using any portion of the G-fees for similarly unrelated purposes creates a number of significant concerns. Notable among these is that it creates an expected revenue stream from Fannie Mae and Freddie Mac for a period of 10 years.

Given that these two Government Sponsored Enterprises (GSEs) are in federal conservatorship, and that it is generally agreed that the business model of these entities had significant flaws, it is troubling to create any expectation of long-term revenue from them, because it greatly complicates the already significant task of ending the conservatorship and enacting meaningful GSE reform.

For these reasons, we urge you not to consider the use of G-fees for any other purpose than the intended use of offsetting the risk associated with the guarantee being provided by Fannie Mae and Freddie Mac.

Thank you for considering our views on this most important matter.

Sincerely,

A handwritten signature in black ink that reads "James C. Ballentine". The signature is written in a cursive style with a long horizontal flourish extending to the right.

James C. Ballentine

Cc: Members of the U.S. Senate
Members of the U.S. House of Representatives